

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 6083

C O N F I D E N T I A L NEW DELHI 0141

EXDIS

FOR ATHERTON FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EAID, IN, US

SUBJECT: "HUMILIATING US TERMS BLOCK PACT ON GRAINS."

1. ONE OF THE REASONS THAT THIS EMBASSY DURING MY TENURE HAS MAINTAINED A DISTINCT, ALMOST IDIOSYNCRATIC RESERVE WITH RESPECT TO THE RESUMPTION OF U.S. "AID" TO INDIA IS THAT FROM THE FIRST I HAVE BEEN AWARE THAT ONCE ANY SUCH MOVE WAS AGREED UPON IN PRINCIPLE, ONCE THE HEADLINES AND THE EUPHORIA HAD PASSED, THE ACTIVITY WOULD DEVOLVE TO THE BUREAUCRACY, AND THERE IT WOULD DIE.

2. SOME MIGHT ASK HOW COULD I HAVE BEEN AWARE OF THIS? I CAN ONLY REPLY THAT IF YOU ARE A PROFESSOR OF GOVERNMENT AT HARVARD UNIVERSITY THIS IS THE KIND OF THING YOU ARE PAID TO KNOW. I AM CONTENT TO LET THIS ASSERTION TO BE PASSED UPON AT THE HIGHEST LEVELS OF THE DEPARTMENT.

3. I AM ONLY SURPRISED IT HAS TAKEN THE BUREAUCRACY ALMOST EIGHT WEEKS TO KILL THE PROPOSAL TO SHIP SOME WHEAT HERE WHICH SECRETARY KISSINGER AGREED TO ON HIS VISIT OF OCTOBER 28-30.

4. NOTIFICATION REACHED US IN DELHI YESTERDAY IN THE FORM OF A FIVE-PAGE CABLE EXPLAINING THAT IF THE INDIANS WANT OUR THREE HUNDRED THOUSAND TONS REPAYABLE AT X PERCENT OVER Y
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YEARS, THEY WILL HAVE TO PUBLICLY AGREE NOT TO KEEP THEIR CO-

MMITMENT TO REPAY THE SOVIET UNION FOR TWO MILLION TONS WHICH THE RUSSIANS PROVIDED THEM LAST YEAR. (NO FUSS, NO ENDLESS LITTLE LEAKS. JUST TWO MILLION TONS FLAT OUT. PAY BACK IN KIND WHEN THINGS LOOSEN UP.

5. THIS MORNING A REUTERS TICKER DATELINED WASHINGTON REPORTED THAT AGREEMENT FOR THE U.S. TO SEND INDIA THREE HUNDRED THOUSAND TONS OF WHEAT WAS IN DANGER BECAUSE OF U.S. INSISTENCE ON A NO-EXPORT CLAUSE AND INDIA'S DESIRE TO BE ABLE TO REPAY THE SOVIET UNION FOR ITS WHEAT LOAN WITHOUT HAVING TO SEEK U.S. PERMISSION. IN FACT THE STORY HAD ALREADY BEGUN TO BREAK IN THE DELHI PAPERS THIS MORNING WHICH REPORTED THAT NEGOTIATIONS WERE DEADLOCKED BECAUSE OF "HUMILIATING CONDITIONS" (UNSPECIFIED) WHICH WERE BEING PUT FORTH BY THE U.S. NOW THAT REUTERS HAD EXPLAINED THAT THE "HUMILIATING CONDITION" IS THAT THE AMERICANS WON'T LET INDIA REPAY THE RUSSIANS WHO MAGNANIMOUSLY PROVIDED TWO MILLION TONS OF FOOD AT A TIME OF GREAT NEED, THE STORY AND THE ANGUISHED EDITORIALS IT WILL BRING WILL ACHIEVE SOME PROMINENCE STARTING TOMORROW.

6. I CONFESS I DID NOT KNOW OF THE EXPORT RULE. HAD I KNOWN I WOULD HAVE ADVISED THE SECRETARY IN THE STRONGEST TERMS THAT HE MUST NOT ENTER ANY AGREEMENT IN PRINCIPLE TO PROVIDE INDIA WHEAT WHEN THE TERMS IN PRACTICE WOULD BE POLITICALLY UNACCEPTABLE. WHEN THE SECRETARY WAS HERE WE ALL KNEW THAT THE INDIANS HAD AN OBLIGATION TO REPAY THE SOVIETS. THE INDIANS KNEW, WE KNEW IT. KNOWING ALL THIS WE OFFERED THE INDIANS FOOD. NOW SURELY THERE MUST BE SOMEONE BACK THERE WHOSE BUSINESS IT IS TO REMEMBER THESE CONDITIONS AND SOUND SOME FAINT ALARM ABOUT COMING PROBLEMS.

7. I KNOW THE TECHNICIANS WILL CALMLY EXPLAIN THAT THERE IS NO REASON WHY THE INDIANS SHOULD NOT AGREE TO NO EXPORT OF INDIAN WHEAT AND NOT GOI PURCHASES OF WHEAT IN THIRD COUNTRIES FOR SHIPMENT TO THE USSR. THE SOVIET-INDIAN AGREEMENT PROVIDES FOR A TWO-YEAR GRACE PERIOD FROM THE DATE OF ARRIVAL OF THE LAST SHIPMENT OF SOVIET WHEAT WHICH WAS LAST AUGUST. THEN IT ALLOWS FOR PAYMENT OVER THE FOLLOWING FIVE YEARS. THUS THE QUESTION DOES NOT ARISE CONCERNING THE AGREEMENT UNDER NEGOTIATION. FURTHER, THE CANADIANS AND AUSTRALIANS
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HAVE BOTH CONCLUDED AGREEMENTS WITH THE INDIANS WHICH PROHIBIT INDIAN EXPORTS FOR TWELVE MONTHS AND THE BRITISH HAVE ONE UNDER NEGOTIATION. SO WHY SHOULDN'T THE INDIANS AGREE WITH THE AMERICANS?

8. BUT THE TIME DURING WHICH WE CAN MAKE SUCH ROUTINE ADMINISTRATIVE ARGUMENTS HAS PASSED. THE ISSUE HERE IS WHOLLY POLITICAL, THE AMERICANS WHO ARE

OFFERING THREE HUNDRED THOUSAND TONS OF WHEAT ARE TELLING THE INDIANS THAT THEY CAN'T MEET THEIR OBLIGATIONS TO THE RUSSIANS, WHO PROVIDED TWO MILLION TONS WITH NO QUESTIONS ASKED. AND WE ARE GOING THE CANADIANS, AUSTRALIANS AND BRITISH TWO BETTER. THE INDIANS CAN'T BUY WHEAT FOR THE RUSSIANS ELSEWHERE AND WE WILL BE DISPLEASED IF THEY EVEN SEND FOREIGN EXCHANGE WHICH THE RUSSIANS MIGHT THEN USE TO PURCHASE WHEAT. I AM SURPRISED AT THIS LATTER CONDITION. IT SEEMS TO PLACE IN JEOPARDY INDIAN DOLLAR PAYMENTS FOR U.S. PL480 WHEAT WHEN THEY START COMING DUE SOME YEARS HENCE. I WONDER WHAT WE WOULD THINK IF THE RUSSIANS INSISTED AS A CONDITION TO THEIR FUTURE FOOD ASSISTANCE THAT THE INDIANS STOP PAYMENTS TO THE US.

9. I KNOW THERE ARE CONGRESSIONAL PROBLEMS. EVERYONE REMEMBERS THE GREAT SOVIET WHEAT RIP OFF. BUT WE SHOULD HAVE THOUGHT OF THIS EARLIER. AS IT IS, OUR AGREEMENT WITH THE INDIANS IS IN GREAT JEOPARDY. MY VIEW IS THAT THE GOVERNMENT WOULD TAKE GREAT POLITICAL RISK BY MEETING OUR CONDITIONS AND I DOUBT THAT WE SHOULD ASK THEM TO DO SO IN AN ELECTION YEAR. THE PROTEST WHICH WOULD ERUPT IN THE INDIAN PARLIAMENT WOULD BRING THEM TO HATE THEMSELVES FOR MAKING SUCH AN AGREEMENT AND THEY WOULD COME TO HATE US FOR HAVING "FORCED" THEM TO DO SO, AS THE EVENT WILL COME TO BE INTERPRETED. WHEN I WAS A BOY IN NEW YORK CITY, A CENTURY AFTER THE POTATO FAMINE IN IRELAND, WE USED TO SPEAK WITH SCORN OF PROTESTANTS IN THE BUILDING WHO HAD "TOOK THE SOUP", THE FOOD THE CHURCH OF ENGLAND HAD PASSED OUT WITH A LITTLE PROSELYTIZING ON THE SIDE.

10. AS IT STANDS, I AM INSTRUCTED BY SAID FIVE-PAGE CABLE TO GO IN AND TELL THE INDIANS THAT IF THEY WANT THE WHEAT THEY SHOULD AGREE NO TO EXPORT THEIR OWN, OR SOMEONE
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ELSE'S THEY HAVE PURCHASED, OR EVEN TO SEND ALONG SOME MONEY TO MEET AN HONEST OBLIGATION. I NOW KNOW THAT THE STANDARD LANGUAGE IN OUR PL480 AGREEMENTS EVERYWHERE--PAKISTAN, BANGLADESH AND ALL THE REST--REQUIRES NO EXPORTS. AND I FEAR THAT SINCE THE ISSUE IS NOW PUBLIC AND POLITICAL, THE GAME IS LOST IN ANY EVENT, LET ME ASK, HOWEVER, THAT WE AT LEAST DEMAND NO MORE THAT OUR FRIENDS THE CANADIANS, THE AUSTRALIANS AND THE BRITISH. LET US SEEK NO MORE THAN WE ASK OF THE PAKISTANIS AND THE BENGALIS. ABOVE ALL, LET US NOT EVEN IMPLY THAT THE INDIANS SHOULD NOT USE THEIR OWN FOREIGN EXCHANGE TO PAY THEIR HONEST DEBTS (ISN'T THIS WHAT WE WERE MAKING ALL THE FUSS ABOUT WHEN WE TRIED TO NEGOTIATE A DECENT CHARTER OF ECONOMIC RIGHTS?). THEN LET US RECOGNIZE THAT THE INDIANS AREN'T ABOUT TO REPAY THE RUSSIANS BEFORE THEY HAVE TO AND THEREFORE WE ARE IN NO DANGER IN REGARD TO THIS AGREEMENT.

11. ACCORDINGLY, I ASK THAT MY INSTRUCTIONS BE RECONSIDERED.
IN THE MEANTIME, I HAVE INSTRUCTED MY PEOPLE TO MAKE NO
APPROACH TO THE GOI AT ANY LEVEL.
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